

ATTACHMENT 2

Table 1: U.S. Support for the Afghan Army and Police, Fiscal Years 2002-2006

Dollars in millions

Fiscal year	2002	2003	2004	2005 (estimated)	2005 Supplemental (estimated)	2006 (proposed)	Total
Afghan army							
State ^a	\$74.9	\$191.4	\$434.4	\$421.4	\$0	\$0	\$1,122.1
Defense ^b	4.3	156.2	285.0	429.3	1,285.0	0	2,159.8
Subtotal	79.2	347.6	719.4	850.7	1,285.0	0	3,281.9
Afghan police							
State ^c	26.6	0	160.0	65.0	360.0	58.5	670.1
Defense ^d	0	0	47.0	7.8	137.3	0	192.1
Subtotal	26.6	0.0	207.0	72.8	497.3	58.5	862.2
Total	\$105.8	\$347.6	\$926.4	\$923.5	\$1,782.3	\$58.5	\$4,144.1

Source: Departments of Defense and State.

^aMost of State's funds for the Afghan army come from its Foreign Military Financing program. Foreign Military Financing funds are administered by Defense through its Defense Security Cooperation Agency, which provides funds, equipment, and services for the army through OMC-A. State also supports the Afghan army through its Peace Keeping Operations program (from which the salaries for Afghan troops are financed) and International Military Education and Training program.

^bDefense funds for the Afghan army are drawn from three principal sources:

The Afghan Freedom Support Act (P.L. 107-327), as amended, states that the President may exercise his drawdown authorities (as authorized under section 506 (A) (2) of the Foreign Assistance Act of 1961) by supplying Afghanistan with defense services, articles, and education "acquired by contract or otherwise." Under this provision, OMC-A has been given authority to spend U.S. Army operations and maintenance funds to train and equip the Afghan army. During fiscal years 2002 through 2004, approximately \$287 million was drawn down via such contracts by Defense. In addition, under section 506 (A) (2) of the Foreign Assistance Act of 1961, as amended, approximately \$11 million in military trucks and armored personnel vehicles were drawn down from Defense for the Afghan army. For more details on such drawdowns, see *Foreign Assistance: Reporting of Defense Articles and Services Provided through Drawdowns Needs to Be Improved*, GAO-02-1027 (Washington, D.C.: Sept. 20, 2002).

The Emergency Supplemental Appropriation Act for Defense and for the Reconstruction Iraq and Afghanistan, 2004, (P.L. 108-106), and the Defense Appropriations Act for fiscal year 2005 (P.L. 108-287) authorize Defense to use U.S. Army operations and maintenance funds for several purposes, including training and equipping the new Afghan armed forces. Defense has provided a total of \$440 million in such funds for the Afghan army.

The Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, for the fiscal year ending September 30, 2005, and for other purposes (P.L. 109-13) authorizes Defense to provide up to \$1.285 billion in assistance to the Afghan army. Of this amount, \$290 million will be used to reimburse the U.S. Army for costs incurred to train, equip, and provide related assistance to the Afghan army.

^cState has supported the Afghan police through programs managed by its Bureau for International Narcotics Control and Law Enforcement Affairs. Of the \$160 million that State provided in 2004, \$50 million was drawn from fiscal year 2003 Emergency Response Funds.

^dDefense has supported the Afghan police with counternarcotics funding provided through its Office for Special Operations and Low Intensity Conflict, as authorized by the Emergency Supplemental

ATTACHMENT 3

Retrieve in:

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June 25, 2004

Honorable Kent Conrad
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator:

At your request, the Congressional Budget Office (CBO) has estimated the cost of the occupation of Iraq and other operations associated with the global war on terrorism (GWOT) for fiscal year 2005. CBO has also projected the potential 10-year costs of such operations under three scenarios that you specified.

Assuming that the force level and pace of operations associated with the occupation of Iraq and other GWOT operations will remain at current levels throughout fiscal year 2005, CBO estimates that the Department of Defense (DoD) will likely require \$55 billion to \$60 billion in new budget authority to carry out those operations. If the disposition of forces or pace of operations were to differ from the assumed levels, the cost of operations would, of course, change accordingly. The estimate includes only the costs that DoD would incur above amounts budgeted for routine military operations, and does not include the costs for reconstruction activities carried out by DoD or other U.S. government agencies.

CBO's estimate of such costs is uncertain for a number of reasons. DoD has provided little detail on actual costs to date. Standard models and cost factors used by CBO in preparing its estimate, though widely accepted, may not fully reflect the unique circumstances of each particular operation, and those circumstances change over time. It is also difficult to estimate the costs that DoD will attribute to those operations for support activities in the United States.

CBO's past estimates of the cost of occupying Iraq and carrying out other GWOT operations have generally been lower than the amounts requested and obligated by DoD for those activities. For fiscal year 2004, DoD's obligations are likely to exceed CBO's estimate by more than 10 percent. If a similar difference occurred in fiscal year 2005, costs in that year could be a bit more than \$60 billion. On the other hand, the reported obligation data for 2004 may include one-time costs for items such as base construction and procurement activities that will not be required in 2005. If so, obligations in excess of CBO's estimate would be less likely.

CBO also estimated the cost of three scenarios for the occupation of Iraq and GWOT operations using assumptions about the length of each operation and force levels specified in your request letter. Under the first scenario, the occupation force in Iraq would increase to 190,000 servicemembers for the 2005-2006 period and then decline so that all U.S. forces would be removed from Iraq by 2009. At that point, the only troops deployed overseas in support of the GWOT would be those stationed in and around Afghanistan. CBO estimates this scenario would require about \$64 billion in budget authority in 2005, declining to about \$10 billion a year from 2009 through 2014. Budget authority associated with this scenario would total about \$266 billion over the 2005-2014 period.

Current force levels would be maintained in Iraq and other GWOT locations through 2006 under the second scenario. After that, the force levels would gradually decline to a steady-state level of about 69,000 deployed personnel by fiscal year 2010. Budget authority required for scenario two would total about \$392 billion over the 2005-2014 period, CBO estimates.

Finally, the third scenario assumes that troop levels in Iraq would steadily decline beginning in 2005, so that by 2010 about 15,000 personnel would be deployed overseas in support of the GWOT. CBO estimates that total budget authority under that scenario would total about \$179 billion over the 2005-2014 period.

The attachment to this letter provides additional detail about the cost estimates, including a discussion of differences between CBO's estimates and cost figures reported by DoD. If you wish further details on this analysis, we would be pleased to provide them. The staff contacts are Matthew Schmit and David Newman of CBO's Budget Analysis Division, and Adam Talaber of CBO's National Security Division.

Sincerely,

Douglas Holtz-Eakin
Director

Attachment

cc: Honorable Don Nickles
Chairman

Honorable Ted Stevens
Chairman
Senate Committee on Appropriations

Honorable Robert C. Byrd
Ranking Minority Member

Honorable John W. Warner
Chairman
Senate Committee on Armed Services

Honorable Carl Levin
Ranking Member

Honorable Jim Nussle
Chairman
House Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member

Honorable C. W. Bill Young
Chairman
House Committee on Appropriations

Honorable David R. Obey
Ranking Member

Honorable Duncan Hunter
Chairman
House Committee on Armed Services

Honorable Ike Skelton
Ranking Member

Estimated Costs of Continuing Operations in Iraq and Other Operations of the Global War on Terrorism

June 25, 2004

SUMMARY

At the request of Senator Conrad, the Congressional Budget Office (CBO) has estimated the costs of military operations in Iraq and Afghanistan and other operations associated with the global war on terrorism (GWOT) for fiscal year 2005. CBO has also projected the potential 10-year costs of such operations under three scenarios that the Senator specified.

Assuming that the force level and pace of operations associated with the occupation of Iraq and other GWOT operations will remain at current levels throughout fiscal year 2005, CBO estimates that the Department of Defense (DoD) will likely require \$55 billion to \$60 billion in new budget authority to carry out those operations. If the disposition of forces or pace of operations were to differ from the assumed levels, the cost of operations would, of course, change accordingly. That estimate encompasses the costs Operation Iraqi Freedom, Operation Noble Eagle, and Operation Enduring Freedom.⁽¹⁾ It includes only the costs that DoD would incur above amounts budgeted for routine military operations, and does not include the costs for reconstruction activities carried out by DoD or other U.S. government agencies.

CBO's estimate of such costs is uncertain for a number of reasons. DoD has provided little detail on actual costs to date. Standard models and cost factors used by CBO in preparing its estimate, though widely accepted, may not fully reflect the unique circumstances of each particular operation, and those circumstances change over time. It is also difficult to estimate the costs that DoD will attribute to those operations for support activities in the United States.

CBO's past estimates of the cost of occupying Iraq and carrying out other GWOT operations have generally been lower than the amounts requested and obligated by DoD for those activities. For fiscal year 2004, DoD's obligations are likely to exceed CBO's estimate by more than 10 percent. If a similar difference occurred in fiscal year 2005, costs in that year could be a bit more than \$60 billion. On the other hand, the reported obligation data for 2004 may include one-time costs for items such as base construction and procurement activities that will not be required in 2005. If so, obligations in excess of CBO's estimate would be less likely.

CBO also estimated the cost of three scenarios for the occupation of Iraq and GWOT operations using assumptions about the length of each operation and force levels specified in the request letter from Senator Conrad. Under the first scenario, the occupation force in Iraq would increase to 190,000 servicemembers for the 2005-2006 period and then decline so that all U.S. forces would be removed from Iraq by 2009. At that point, the only troops deployed overseas in support of the GWOT would be those stationed in and around Afghanistan. CBO estimates this scenario would require about \$64 billion in budget authority in 2005, declining to about \$10 billion a year from 2009 through 2014. Budget authority associated with this scenario would total about \$266 billion over the 2005-2014 period.

Current force levels would be maintained in Iraq and other GWOT locations through 2006 under the second scenario. After that, the force levels would gradually decline to a steady-state level of about 69,000 deployed personnel by fiscal year 2010. Budget authority required for scenario two would total about \$392 billion over the 2005-2014 period, CBO estimates.

Finally, the third scenario assumes that troop levels in Iraq would steadily decline beginning in 2005, so that by 2010 about 15,000 personnel would be deployed overseas in support of the GWOT. CBO estimates that budget authority under that scenario would total about \$179 billion over the 2005-2014 period.

Obligations Through March 2004 For Operation Iraqi Freedom and the Global War on Terrorism

Through March 2004, the Department of Defense had obligated \$114 billion for Operation Iraqi

Freedom and the other GWOT operations in the two and one-half years since September 11, 2001 (see **Table 1**). Data on obligations come from cost reports prepared by the Defense Finance and Accounting Service (DFAS). The reports present the obligations broken down by major operation (Iraqi Freedom, Enduring Freedom, Noble Eagle) and service (Army, Navy, Air Force, Marines, and Defense Agencies). Obligations for Operation Iraqi Freedom constitute the largest fraction of the obligations to date—\$71 billion. After comparing the obligations presented in these reports with funding provided by the Congress to date, CBO estimates that of the funding provided to DoD in supplemental appropriations for 2004, approximately \$28 billion remains unobligated as of March 2004.⁽²⁾ Assuming those remaining funds are obligated during this fiscal year, obligations for these operations will total \$64 billion in fiscal year 2004 and almost \$142 billion cumulatively since September 11, 2001.

TABLE 1.

OBLIGATIONS BY THE DEPARTMENT OF DEFENSE FOR OPERATIONS IN IRAQ AND THE GLOBAL WAR ON TERRORISM (In billions of dollars, by fiscal year)

	2002	2003	2004 (Through March) ^a	Remainder of 2004 (Estimated)	Total Through End of 2004 (Estimated) ^b
Iraqi Freedom ^c	n.a.	42.4	28.9	22.4	93.7
Noble Eagle ^d	5.7	6.3	2.3	1.7	16.0
Enduring Freedom ^e	11.0	12.3	4.8	3.7	31.8
Total	16.6	61.0	36.0	27.8	141.5

SOURCE: Congressional Budget Office based on data from the Department of Defense.

NOTES: Numbers may not add to totals because of rounding.

Does not include obligations for classified activities or reconstruction.

n.a. = not applicable.

a. Due to a two-month lag in processing the data, March is the last month for which data is available from DoD. Of the amounts obligated in fiscal year 2004, about \$32 billion is from 2004 appropriations, with the remainder coming from funds appropriated for 2003, mainly to cover the cost of procurement and other force "reconstitution" activities necessitated by operations in that year.

b. Based on amounts appropriated for 2004, CBO estimates DoD had approximately \$28 billion available for obligation at the end March, not including funds appropriated for classified activities. For purposes of this analysis, CBO assumes the remaining \$28 billion will be obligated before the end of fiscal year 2004.

c. Operation Iraqi Freedom refers to military operations in and around Iraq.

d. Operation Noble Eagle refers to domestic homeland security missions such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the events of September 11, 2001.

e. Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities.

The figures discussed above and presented in **Table 1** exclude obligations for certain classified activities, which are not included in the DFAS reports, and obligations of funds for reconstruction activities administered by other executive branch agencies. Based on language in appropriations acts for 2002, 2003, and 2004 and information contained in briefings from DoD, CBO estimates that the Congress has appropriated at least \$10 billion for classified activities since September 11, 2001, but CBO does not know how much has been obligated for those purposes. Amounts appropriated for reconstruction activities in Iraq and Afghanistan have so far totaled about \$24 billion.

Estimate for Fiscal Year 2005

Assuming that the force levels and pace of operations associated with the occupation of Iraq and other GWOT operations will remain at current levels throughout fiscal year 2005, CBO estimates that DoD will likely require \$55 billion to \$60 billion in budget authority for that year to continue the occupation of Iraq and other GWOT operations during that year. The detailed components of that estimate are shown in **Table 2**; they sum to about \$56 billion. CBO's estimate represents the incremental amount that DoD would incur above the budgeted cost of routine operations. For instance, the estimate excludes items such as basic pay for active-duty military personnel but includes the monthly pay of reservists recalled to full-time duty. The exception is basic pay for active-duty personnel in excess of the current authorized endstrength level, which is included because those personnel are being retained in the military as a direct result of overseas operations and DoD has been compensating them mostly with supplemental appropriations.

TABLE 2.

ESTIMATED COST OF OCCUPATION OF IRAQ AND GLOBAL WAR ON TERRORISM FOR FISCAL YEAR 2005 ASSUMING CURRENT LEVELS OF ACTIVITY AND FORCE LEVELS (In billions of dollars)

	Noble Eagle ^a	Enduring Freedom ^b	Iraqi Freedom ^c	Undistributed ^d	Total
Personnel ^e	2.8	0.8	8.3	5.1	17.0
Personnel Support ^f	0.6	0.3	2.0	2.3	5.2
Operations Support ^g	0.4	2.6	21.2	0.2	24.4
Transportation ^h	0	0.9	3.6	0	4.5
Classified and Coalition Support ⁱ	0	i	i	5.0	5.0
Total	3.8	4.5	35.1	12.7	56.1

SOURCE: Congressional Budget Office.

NOTE: Totals may not add to totals because of rounding.

a. Noble Eagle refers to domestic homeland security missions, such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the events of September 11, 2001.

b. Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities.

c. Operation Iraqi Freedom refers to military operations in and around Iraq.

d. Includes the cost of mobilized reservists supporting the various operations from the continental United States as well as the cost of maintaining the number of active-duty troops above current authorized levels.

e. "Personnel" includes pay for reserve personnel called to active duty as well as special payments, such as hazardous duty pay, for both reserve and active-duty personnel. The category also covers the cost of subsistence items, such as food and water. CBO's estimate also includes basic pay for those active-duty personnel above current authorized endstrength levels.

f. "Personnel support" includes clothing and personal items as well as medical support. For purposes of this estimate, it also includes some operations and maintenance costs associated with maintaining active-duty troop levels above the authorized endstrength.

g. This category includes all incremental costs related to the operation and maintenance of air, land, and sea forces involved in overseas contingency operations. It includes costs such as fuel consumption and repair parts. Operations support also includes the costs of equipping and maintaining ground troops and equipment, as well as the costs associated with command, control, communications, and intelligence. In addition, the category covers force reconstitution, which includes the replacement of munitions stocks and repair or replacement of damaged equipment, and the incremental cost of increased depot maintenance for items such as aircraft, tanks, and ships.

h. "Transportation" includes the cost of moving personnel and equipment to the theater of operations from the continental United States and from bases around the globe.

i. CBO does not have enough information to make an independent estimate of the cost of coalition support or classified activities, or to allocate such costs between Operations Enduring Freedom and Iraqi Freedom. The number displayed for

these activities is based on amounts requested and appropriated for those purposes over the past several years and is shown in the "undistributed" category.

Of the estimated amount, at least \$35 billion will be required for Iraqi Freedom, and about \$4 billion and \$5 billion will be required for Operation Noble Eagle and Operation Enduring Freedom, respectively. CBO also estimates costs of about \$13 billion for a category labeled "undistributed." This category includes the costs for mobilized reservists stationed in the United States who are tasked with supporting Operation Iraqi Freedom and Operation Enduring Freedom and the cost to maintain active-duty forces above authorized endstrength levels. CBO includes those costs in an "undistributed" category because it lacks the information needed to allocate the personnel and costs to each operation. Within the "undistributed" category, CBO also includes \$5 billion for certain classified activities and coalition support.⁽³⁾ That estimate is based on amounts appropriated for those purposes in previous years.⁽⁴⁾

Allocating costs among the various military services is difficult because all of them provide some form of support for all aspects of Operation Iraqi Freedom and the other GWOT operations. CBO expects that about three-quarters of the budget authority required for 2005 will be needed to sustain ground operations (primarily the Army and Marine Corps), and the remainder will be needed for air and sea operations, classified activities, and coalition support.

Estimating Force Levels

CBO's assumption that the force level and pace of operations associated with the occupation of Iraq and the GWOT will remain at current levels through 2005 is consistent with DoD's recently announced plans for those operations. If the size of the forces deployed overseas were to change, the cost of operations could be significantly different from the estimates presented here.

DoD published a rotation plan in the fall of 2003 that envisioned the majority of U.S. forces in Iraq being replaced by a smaller number of forces between January and April 2004. However, in April, the U.S. Central Command requested permission to extend the tours of some units that had been scheduled to leave Iraq, and DoD is now preparing to deploy additional units to Iraq (to replace the units whose tours were extended). The effect of these decisions has been to reverse the planned reduction and maintain the January 2004 force level for the indefinite future.

To date, DoD has not provided CBO with detailed information about the size of the force supporting the occupation of Iraq and the GWOT. However, based on information from various sources, CBO estimates that U.S. forces deployed overseas for these operations will average about 129,000 active-duty personnel and about 51,000 reserve-component personnel in 2005. About 127,000 reserve-component personnel will be mobilized in support of these operations (including the reservists who will be deployed).⁽⁵⁾ In addition, CBO estimates the active components of the services will be about 38,000 personnel above their currently authorized endstrength levels in 2005.

To estimate the size of the forces that are likely to be involved in Operation Iraqi Freedom and other operations, CBO tracks the major combat units (divisions and brigades) that are deployed or scheduled for deployment in DoD's rotation plans. However, the personnel in these major units represent only a portion of the troops that will be involved in military operations, requiring CBO to estimate other relevant categories of personnel. These other categories include troops deployed to the theater to support the combat divisions and brigades, reserve-component personnel training in preparation for deployment, and reserve personnel mobilized to fill in for deployed active-component units.

Published accounts of the number of personnel involved in Operation Iraqi Freedom often include only the number of military personnel in Iraq itself. However, large numbers of support personnel are associated with this operation, including those at Army logistics and maintenance facilities in Kuwait and those at Air Force bases throughout the Persian Gulf. Consequently, CBO's estimates of the number of personnel deployed to Operation Iraqi Freedom are generally larger than many published reports of the size of the force in Iraq. For example, DoD has recently decided to maintain (rather than reduce) the current force levels in Iraq through the second (and possibly third) rotation.⁽⁶⁾ CBO

estimates that this plan will involve maintaining a deployed force of over 160,000 personnel in the Persian Gulf region, although only 135,000 of those personnel will actually be in Iraq.⁽⁷⁾

Not all of the mobilized reserve-component personnel will be deployed overseas. Some will be engaged in Operation Noble Eagle, and will remain within the United States. Others will remain in the United States in support of Operations Enduring Freedom and Iraqi Freedom. Also, most mobilized reserve units will spend some period of time training before they deploy. Thus, the number of reserve-component personnel deployed overseas in support of Operation Enduring Freedom and Operation Iraqi Freedom will always be smaller than the total number of mobilized reserve-component personnel.

Estimating Methodology

CBO estimated costs in five categories: personnel, personnel support, operations support, transportation, and classified activities/coalition support. The costs of personnel, which account for 30 percent of the estimated cost, include the pay for reserve personnel called to active duty, as well as special payments, such as hazardous-duty pay, for both reserve and active-duty personnel. They also include costs associated with providing food and water. In addition, the personnel category includes the cost for basic pay associated with keeping the level of active-duty forces above authorized endstrength levels. Personnel support, estimated to total about \$5 billion, includes the costs of clothing, medical care, and other similar items. It also includes support costs associated with maintaining active duty forces above authorized endstrength levels.

Operations support, at 44 percent, is the largest component of the estimate. It includes the incremental costs related to the operation and maintenance of air, land, and sea forces involved in these operations. It also includes the cost of contracts with companies like Kellogg, Brown, and Root for logistics support, base support, and other services, as well as the cost to buy replacement equipment for units returning from these overseas operations. The fourth category--transportation--includes the cost of moving personnel and equipment between the United States and the various theaters of operation as well as moves within each theater. CBO estimates transportation costs will total about \$5 billion for fiscal year 2005. Finally, as noted above, CBO included \$5 billion for classified activities and coalition support.

CBO used data from a variety of sources to prepare its estimate. Estimates for personnel and personnel support are based primarily on cost factors developed by the Institute for Defense Analyses. CBO adjusted those factors to account for pay raises, changes in special payments, and inflation. Estimates for the operation of equipment, command and control, and some support services are based largely on data from operations and support cost models developed by the Army, adjusted for the pace of operations and the impact of the desert climate. CBO estimated most of the costs for facilities and logistics support using obligations and planning data (April 2004) from DoD for relevant logistics support contracts. Estimates for equipment procurement are based on CBO's analysis of procurement spending associated with previous overseas operations. Finally, the estimates for transportation costs are based on data provided by the United States Transportation Command.

Except for a few instances, CBO did not use the data reported by DFAS on 2004 obligations in preparing the estimate of 2005 costs. Obligations for Operation Iraqi Freedom and the other GWOT operations vary widely from month to month, making it difficult to discern trends. Those data provide no information about the pace of operations or the force levels underpinning those costs, nor do they segregate one-time costs from recurring or day-to-day costs. Some obligations are recorded months after the actual activity occurred because of the time needed to establish proper billing and reimbursement. Without more detailed information, it is difficult, if not impossible, to use the reported obligations to estimate future costs. For example, the cost data reported for 2004 show significant obligations for equipment procurement and base support. CBO believes that many of those activities are one-time in nature and will not require additional resources in 2005.

Comparison to Previous CBO Estimates and Other Data

On October 28, 2003, CBO transmitted a letter to the Honorable John M. Spratt Jr. in which it

estimated that maintaining an occupation force of 106,000 military personnel in Iraq would cost about \$23 billion in 2005.⁽⁸⁾ The cost estimates presented in this analysis are substantially higher than that October estimate for several reasons. First, the estimate done for Congressman Spratt included only costs associated with Operation Iraqi Freedom, whereas the estimate in this report also includes the costs of Operations Enduring Freedom and Noble Eagle. Second, it now appears the size of the occupation force in Iraq in 2005 will be more than 50 percent larger than the 106,000 hypothesized last October. Finally, CBO has refined or reevaluated some of the methodologies used to estimate the costs of these operations.

Even with the recent refinements in estimating methodologies, those methods produce estimates for fiscal year 2004 that are lower than DoD's reported obligations for Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle. It appears that, in 2004, DoD will obligate almost all of the \$65 billion appropriated for those three operations. By comparison, CBO's methodologies and assumptions produce a point estimate of about \$57 billion, 12 percent below the expected obligations from 2004 appropriations. It is therefore possible that DoD's obligations in fiscal year 2005 for those three operations could exceed CBO's point estimate of \$56 billion by several billion dollars. On the other hand, the 2004 obligations may include one-time costs for base construction and procurement that would not be required in 2005, making obligations in excess of CBO's point estimate less likely.

With only limited information from DoD, CBO has not been able to identify the specific reasons for that difference. They appear to be concentrated in two areas:

- With regard to the individual services, CBO's estimate of the costs for naval operations is noticeably lower than the obligations reported by DFAS. According to those reports, the Navy obligated about \$1.9 billion from 2004 appropriations for Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle through March 2004. In contrast, CBO's estimate for that period is less than \$500 million, reflecting the fact that Operations Iraqi Freedom and Enduring Freedom are primarily ground operations and that most of the Navy's deployments to the region would occur under its budgeted peacetime activities. Obligations for the Navy probably include about \$600 million in transportation and logistics costs related to the deployment of Marine Corps forces that CBO includes elsewhere—in its estimate for ground operations. That amount would not explain all of the difference, however.
- With regard to the different types of spending, the largest difference occurs in the operations support category. CBO estimates that such costs will total about \$25 billion for fiscal year 2004, but it appears that DoD will obligate more than \$30 billion for operations support (including procurement). Much of CBO's estimate for this category of spending is based on cost models developed by the Army, adjusted by CBO to reflect these particular operations and the conditions under which they are conducted, but the results of those models have been falling short of the actual obligations that DoD has attributed to the three operations.⁽⁹⁾ Although differences occur for most elements of cost within operations support, the largest difference appears to be in the category that DoD calls "other services and miscellaneous contracts." Through March 2004, obligations for this category totaled over \$3 billion, while CBO's estimate for 2004 totals less than \$500 million. The reported obligations for this category may include costs that CBO includes under other categories, such as "facilities and base support" and "transportation," but CBO cannot be certain without more information from the department.

Some observers have indicated that the tenuous security situation in Iraq has led to an unexpected increase in the pace of operations (also known as operational tempo), and that this has led to increased costs for such things as spare parts, fuel, and ammunition. However, most costs for overseas operations such as Iraqi Freedom are associated with personnel compensation and base support, which are not usually correlated with the pace of operations. According to DoD reports (and in CBO's estimate), the costs associated with operational tempo comprise only about 10 percent of the total obligations to date for Operation Iraqi Freedom and the other operations associated with the GWOT.

Estimates of Occupation Scenarios

CBO has estimated the 10-year cost of three scenarios for the occupation of Iraq and GWOT operations using assumptions about the length of each operation and force levels specified by Senator Conrad. Those scenarios involve future costs for Operation Iraqi Freedom as low as \$52 billion and as high as \$233 billion over the next 10 years (excluding some costs that cannot be allocated to specific operations). Other costs—for Noble Eagle, Enduring Freedom, classified activities, coalition support, and activities that cannot be allocated to specific operations—would add another \$130 billion to \$160 billion over the 2005-2014 period.

Assumptions about air operations, force rotations, and the number of reservists mobilized are based on the most recent data provided by DoD, as well as an analysis of past contingency operations. The cost estimates were done using the methodologies that CBO applied in developing its estimate for 2005. They include costs for classified activities and coalition support based on prior-year appropriations but do not include costs associated with reconstruction activities.

The costs for each of the three scenarios vary based on the assumptions made about the length and force levels associated with Operation Iraqi Freedom. All scenarios assume operations in Afghanistan will remain at current levels throughout the 2005-2014 period and that activities associated with Operation Noble Eagle will decrease to half the current level by 2009.

Scenario One. Under this scenario, the occupation force in and around Iraq would increase from the current level of 160,000 personnel to about 190,000 in fiscal years 2005 and 2006, and then decline steadily so that all forces would be out of the Iraq theater of operations by the beginning of fiscal year 2009. This scenario assumes that a total of 212,000 military personnel would be deployed overseas in 2005, with an additional 84,000 reservists supporting operations from the United States. Once all forces left Iraq, about 15,000 personnel would be deployed overseas in support of the GWOT, with an additional 18,000 reservists mobilized in support. CBO estimates that this option would require about \$64 billion in budget authority in 2005, declining to just over \$9 billion by 2010, after which the annual costs would increase with inflation. Budget authority associated with the occupation of Iraq and the GWOT under this scenario would total about \$266 billion over the 2005-2014 period. (See **Table 3** for year-by-year personnel levels and **Table 4** for the estimated costs for each scenario.)

TABLE 3.

PERSONNEL ASSUMPTIONS USED IN ESTIMATING FUTURE COSTS OF THE OCCUPATION OF IRAQ AND THE GLOBAL WAR ON TERRORISM (In thousands, by fiscal year)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Scenario One										
Deployed Active Duty	146	147	116	41	12 ^a	12	12	12	12	12
Deployed Reserves	66	67	48	12	3	3	3	3	3	3
Other Mobilized Reserves ^b	84	100	78	35	18	18	18	18	18	18
Active Over Endstrength	38	34	30	20	10	0	0	0	0	0
Scenario Two										
Deployed Active Duty	129	129	106	96	67	48	48	48	48	48
Deployed Reserves	51	51	43	39	28	21	21	21	21	21
Other Mobilized Reserves	76	86	72	64	47	38	38	38	38	38
Active Over Endstrength	38	34	30	20	10	0	0	0	0	0

Scenario Three

Deployed Active Duty	74	61	40	27	12	12	12	12	12	12
Deployed Reserves	28	25	17	10	3	3	3	3	3	3
Other Mobilized Reserves	55	54	40	30	18	18	18	18	18	18
Active Over Endstrength	38	34	30	20	10	0	0	0	0	0

SOURCE: Congressional Budget Office based on scenarios specified by Senator Conrad.

a. In scenarios one and three, all troops would be out of the Iraq theater of operations by 2009. However, troops would still be mobilized and deployed in support of operations Noble Eagle (domestic homeland security) and Enduring Freedom (Afghanistan).

b. Other mobilized reserves include those performing duties in the United States as well as those in training for future deployment overseas.

TABLE 4.

COST ESTIMATES FOR THREE POTENTIAL SCENARIOS FOR THE OCCUPATION OF IRAQ AND THE GLOBAL WAR ON TERRORISM FOR FISCAL YEARS 2005 THROUGH 2014 (In billions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2005- 2014
Scenario One											
Iraqi Freedom ^a	42	44	35	10	0	0	0	0	0	0	131
Noble Eagle ^b	4	3	3	3	2	2	2	2	2	3	27
Enduring Freedom ^c	5	5	4	4	4	4	4	4	5	5	43
Undistributed ^d	8	8	7	3	1	*	*	*	*	*	30
Classified and Coalition Support ^e	5	5	5	5	3	3	3	3	3	3	35
Total	64	65	54	25	10	9	9	10	10	10	266
Scenario Two											
Iraqi Freedom	35	36	31	29	21	15	16	16	17	17	233
Noble Eagle	4	3	3	3	2	2	2	2	2	3	27
Enduring Freedom	5	5	4	4	4	4	4	4	5	5	43
Undistributed	8	7	6	5	3	2	2	2	2	2	39
Classified and Coalition Support	5	5	5	5	5	5	5	5	5	5	50
Total	56	57	50	46	36	28	29	30	30	31	392
Scenario Three											
Iraqi Freedom	19	16	11	6	0	0	0	0	0	0	52
Noble Eagle	4	3	3	3	2	2	2	2	2	3	27
Enduring Freedom	5	5	4	4	4	4	4	4	5	5	43
Undistributed	6	5	4	3	1	*	*	*	*	*	22
Classified and											

Coalition Support	5	5	5	5	3	3	3	3	3	3	35
Total	38	35	27	21	10	9	9	10	10	10	179

SOURCE: Congressional Budget Office based on scenarios specified by Senator Conrad.

NOTES: Numbers may not add to totals because of rounding.

* = less than \$500 million.

a. Operation Iraqi Freedom refers to military operations in and around Iraq.

b. Operation Noble Eagle refers to domestic homeland security missions such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the event of September 11, 2001.

c. Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities.

d. Includes mobilized reservists supporting the various operations from the continental United States as well as the cost of maintaining the number of active-duty troops above current authorized levels.

e. CBO does not have enough information to do an independent estimate of coalition support or classified activities. The number displayed here is based on amounts requested and appropriated for those purposes over the past several years.

The size of the force in and around Iraq described in this scenario would be well above the number of personnel that CBO's previous analysis indicates would be sustainable over the long term.⁽¹⁰⁾ Under this scenario, all of the Marine Corps' and the Army's major active component combat units would be fully committed and would be deployed overseas more than six months out of every year. All of the Army National Guard's Enhanced Separate Brigades would likely be mobilized and deployed as well. Since units require some time after returning from a deployment to recover (to allow personnel to take leave, perform maintenance on equipment, and to retrain and requalify in skills they may not have used while deployed), this scenario would leave the United States with only a minimal number of available combat units to respond quickly to unforeseen contingencies over the 2005-2006 period.

Scenario Two. Under this scenario, the size of the force in the Iraq theater of operations would remain at current levels (which CBO estimates at about 160,000 personnel) through fiscal years 2005 and 2006 and then decline to a steady-state level of about 54,000 personnel by 2010, which would then remain in and around Iraq indefinitely. This scenario assumes that a total of 180,000 military personnel would be deployed overseas in 2005, with an additional 76,000 reservists supporting operations from the United States. After the drawdown of forces in Iraq, about 69,000 personnel would be deployed overseas in support of the GWOT, with an additional 38,000 reservists in support. CBO estimates this option would require about \$56 billion in budget authority in 2005, declining to about \$28 billion by 2010, after which the costs would increase with inflation. Budget authority associated with the occupation of Iraq and the GWOT under this scenario would total about \$392 billion over the 2005-2014 period.

Maintaining the current size of the force in the Iraqi theater for two more years, as assumed in this scenario, would require personnel levels that could not be sustained without raising concerns about adverse effects on U.S. forces (such as personnel retention and the ability to conduct training). Under this scenario, the force levels in Iraq would begin to decline after two years to a level that could be sustained using only active component Army combat forces. (Army National Guard and Marine Corps forces would no longer be required for combat or peacekeeping operations in Iraq, although National Guard units would still be needed for support activities.)

Scenario Three. Under this scenario, the occupation force in Iraq would decrease to about 84,000 personnel in fiscal year 2005 and continue to decrease so that all forces would be out of the Iraq theater of operations by the beginning of fiscal year 2009. This scenario assumes that a total of 102,000 military personnel would be deployed overseas in 2005, with an additional 55,000 reservists supporting operations from the United States. Once all forces left Iraq, about 15,000 personnel would be deployed overseas in support of the GWOT, with an additional 18,000 reservists in support. CBO estimates this option would require about \$38 billion in budget authority in 2005, declining to just over \$9 billion by 2010, after which the costs would increase with inflation. Budget authority associated with the occupation of Iraq and the GWOT under this scenario would total about \$179 billion over the 2005-2014 period.

1. Operation Noble Eagle refers to domestic homeland security missions, such as combat air patrols over major metropolitan areas, undertaken by DoD in response to the events of September 11, 2001. Operation Enduring Freedom includes military operations in and around Afghanistan and other overseas counterterrorism activities (including activities in the Philippines and Yemen).
2. Public Law 108-406, Making Emergency Supplemental Appropriations for Defense and for the Reconstruction of Iraq and Afghanistan for the Fiscal Year Ending September 30, 2004, and for Other Purposes.
3. Coalition support refers to logistics activities performed by the U.S. military in support of multinational forces serving in Iraq and Afghanistan, as well as reimbursements to key cooperating nations and coalition partners for the use of airstrips and other assistance.
4. CBO excluded costs associated with classified activities in its previous published estimates of the cost of continuing operations in Iraq and Afghanistan because CBO did not have enough information to assess these costs. The \$5 billion for classified activities and coalition support in this projection is a rough estimate of requirements based on amounts appropriated for those purposes in 2003 and 2004. Although CBO still lacks data to perform an independent assessment of those costs, it has included the \$5 billion to make the estimate for 2005 more comparable to a future request for supplemental appropriations.
5. Recent data from DoD puts the current number of mobilized reservists at about 160,000. CBO estimates that about 35,000 reserve-component personnel are routinely mobilized during peacetime and that those personnel should not be included in the incremental costs of the occupation of Iraq and the GWOT. The 35,000 peacetime mobilization figure should drop down to about 30,000 once U.S. commitments in Bosnia have ended.
6. For its estimates, CBO assumed all Army and Marine Corps forces deployed overseas in support of operations Iraqi Freedom and Enduring Freedom will be replaced by fresh troops once a year and Air Force units will be replaced every three months.
7. In addition, about 20,000 personnel will be deployed for Operation Enduring Freedom, bringing the total number of personnel deployed overseas to about 180,000.
8. Congressional Budget Office, *Letter to the Honorable John M. Spratt Jr. Regarding the Estimated Costs for the Occupation of Iraq* (October 28, 2003).
9. With regard to the specific operations, DoD is attributing substantially more costs to Operation Enduring Freedom than CBO estimates. This discrepancy may result primarily from CBO's allocation of certain costs to the "undistributed" category--including the cost of support personnel in the United States and the cost of maintaining active forces above authorized endstrength levels. Information from DoD indicates that the department is attributing the costs associated with as many as 35,000 of these support personnel to Operation Enduring Freedom. CBO also believes that, at one point, the services were allocating all costs for over-endstrength personnel to that operation. These allocation differences, however, would not account for the differing estimates of total costs.
10. CBO addressed the issue of how the occupation could strain U.S. military forces in *An Analysis of the U.S. Military's Ability to Sustain an Occupation of Iraq*, September 2003.

CBO Home Page

ATTACHMENT 4



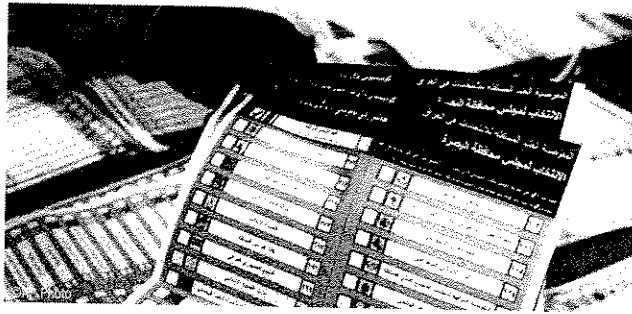
ADVANCING THE PRESIDENT'S NATIONAL STRATEGY FOR VICTORY IN IRAQ

FUNDING IRAQ'S TRANSITION TO SELF-RELIANCE IN 2006 AND 2007 AND
SUPPORT FOR THE COUNTERINSURGENCY CAMPAIGN



UNITED STATES DEPARTMENT OF STATE
FEBRUARY 2006

ADVANCING THE PRESIDENT'S NATIONAL STRATEGY FOR VICTORY IN IRAQ: *FUNDING IRAQ'S TRANSITION TO SELF-RELIANCE IN 2006 AND 2007*



TWO FUNDAMENTAL PRINCIPLES

Success in Iraq requires progress on all three tracks — political, security, and economic — of the President's National Strategy for Victory in Iraq. The three tracks are fundamental to our counter-insurgency, counterterrorism campaign and our effort to help Iraqis build a democratic, stable and prosperous country that is a partner in the war against terrorism. The Departments of State, Defense, Justice, Homeland Security, Treasury, and USAID coordinate closely to carry out their respective roles in each track.

As the strategy states, "progress along one of the political, security and economic tracks reinforces progress along the other tracks."

- The first fundamental operating principle is that transition to Iraqi responsibility *cannot be sustained* without integrated progress on all three tracks. For instance, the ability of Iraqi Security Forces to maintain stability and security in an area relates not only to their capabilities, but also to the capabilities of the local and provincial governments, as well as the economic climate and the willingness of local leaders to engage in politics and not violence. Because success in the political, security, and

economic realms are intertwined, foreign assistance funding must be seen as an important tool in our overall effort to defeat the terrorists and neutralize the insurgency. Funding just one element of our strategy will produce lopsided effects in what must ultimately be an integrated effort for Iraqis to succeed, and for us to complete our mission in Iraq.

- A second principle is that 2006 will be a critically important year: it is the year of *transition to greater Iraqi self-reliance*, which requires helping Iraqis sustain their infrastructure, and build greater Iraqi civilian capacity at the national, provincial and municipal levels for better, more responsive and more transparent governance.

Accordingly, the State Department's portion of the Administration's request for Iraq constitutes \$3.252B in the FY 2006 Supplemental (\$1.610B for foreign assistance and \$1.642B for State and AID operating expenses), and \$771M in the FY 2007 foreign assistance budget for Iraq for a total of \$4.023B.

TRANSITION FROM THE IRAQ RELIEF AND RECONSTRUCTION FUND 1 AND 2

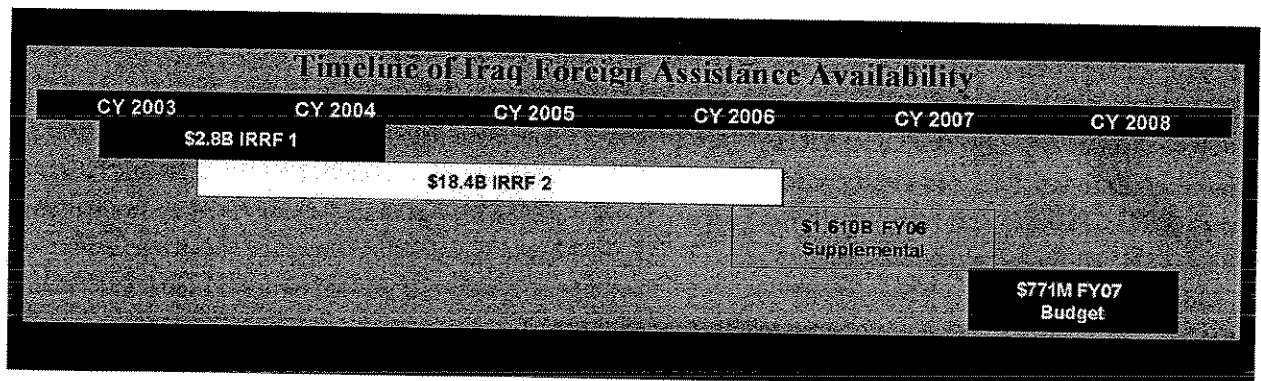
Congress provided \$20.9B in Iraq Relief and Reconstruction Fund (IRRF) 1 and 2 funds in 2003 and 2004, as documented in the Department of State's report: *U.S. Achievements Through the Iraq Relief and Reconstruction Fund*, February 2006 (<http://www.state.gov/documents/organization/60952.pdf>). While our overarching policy goals in Iraq have remained constant, we strategically re-allocated funds with the approval of Congress, and refined our programs in order to respond to evolving events on the ground, lessons learned, and emerging Iraqi priorities. Furthermore, this flexible approach will enable the Administration and Congress to carefully examine the 2006-2007 foreign assistance requirements supporting Iraq's transition to self-reliance.

Almost all of the large infrastructure projects funded under IRRF 2 will be completed within the new Iraqi government's first year and many by the end of summer 2006. IRRF 2 will be fully obligated by the close of FY 2006, and will not be available to fund the critical requirements in the FY 2006 Supplemental and FY 2007 request. Of the \$18.4B IRRF, we have obligated \$15.810B and disbursed \$10.875B as of February 22, 2006. We have an FY 2006 obligation plan for the remaining \$2.629B that is managed daily, and updated monthly, which indicates we could

have less than \$1.5B to obligate by April 2006. Approximately 60% is for water and electricity projects, vital for the government to retain civilian support for the counter-insurgency effort; and approximately 40% is for oil, security, justice and other programs.

These remaining IRRF funds serve as the principal tool the United States has to improve the Iraqi civilian authorities' ability to form and run the government, sustain political support for the counterinsurgency effort, and bolster Iraqi self-reliance, thereby showing America's commitment to the new government and the people of Iraq.

IRRF, FY 2006 Supplemental and FY 2007 budget request can be seen as phases in U.S. foreign assistance for Iraq, which is strategically calibrated to the changing needs in Iraq. The IRRF was used to *kick-start reconstruction*. The FY 2006 Supplemental and the FY 2007 budget request will *support the counterinsurgency (COIN) campaign and develop the capacity to sustain Iraqi self-reliance*. To start, we re-positioned \$288M of the IRRF to programs and activities that in 2006 support the COIN campaign and the transition to Iraqi self-reliance through the Security, Economic, and Political Tracks.¹ We need follow-on FY 2006 Supplemental and FY 2007 funding for these programs and activities to be successful.



\$2.381B IN FY 2006 SUPPLEMENTAL AND FY 2007 FOREIGN ASSISTANCE REQUESTS

In addition to conventional foreign assistance and post conflict programs funded under the IRRF, critical activities that support the counter-insurgency efforts and transition to Iraq's self-reliance will need funding through 2006 and 2007. This foreign assistance funding complements the funds DoD is seeking in its FY 2006 Supplemental.² With the exception of prison construction, no other request is being made for large construction projects.

- The \$1.610B FY 2006 Supplemental funds emergency programs *Support the COIN Campaign*. Spending these monies is timed to begin in June, as IRRF funding becomes exhausted, and may carry us through the first six months of FY 2007.
- The FY 2007 budget of \$771M funds other high-priority foreign assistance programs to sustain the transition to Iraqi self-reliance for the remainder of FY 2007.

Security Track

Focused Stabilization, Provincial Reconstruction Team (PRT)/Provincial Reconstruction Development Councils (PRDC)³ and Infrastructure Security (\$962M Supplemental)

We are continuing to transfer control of more territory to Iraqi Security Forces and are seeking to exploit fissures in the insurgency. We are adjusting our military posture to emphasize focused operations on terrorists, and making a concerted effort to improve the Iraqi police, to fight corruption, to disband militias, and to protect the infrastructure. With an ongoing insurgency, targeted community-level relief is needed in the aftermath of military operations, and for some other volatile areas. We also will focus on upgrading provincial governments, including through joint State-DoD PRT operations, directly supporting local civilian authorities important to coalition military forces. Our request is keyed to the following critical economic-security programs:

- **\$325M (Supplemental)** for focused stabilization of strategic cities and PRTs/PRDCs projects. Embassy Baghdad's will coordinate with PRTs, PRDCs and Multi-National Force-Iraq (MNF-I) the programming of \$325 million in the provinces. This part of the Focused Stabilization of Strategic Cities (FSSC) program will be coordinated with local officials,

religious and business leaders, and affected communities to meet local short-term essential service needs, build the trust of Iraqis in their government, and engage Iraqi citizens in the decision-making process. The FSSC program will help stabilize communities following military operations through restoring critical infrastructure to foster economic recovery, growth and community stabilization. In some communities, these funds will be used proactively to foster stability.

- \$275M will be programmed as PRDC projects with \$50M going to Baghdad, and approximately \$15M each for the remaining 14 provinces and the Kurdish region. Some of these monies may also be used for FSSC program.
- \$50M will be programmed in local community service infrastructure for the FSSC program of approximately ten strategic cities.
- **\$165M (Supplemental)** for PRTs to implement a Local Governance Program (LGP), to assist Iraq's provincial government and local leaders in developing a transparent and sustained capability to govern, providing increased security

and rule of law, promoting political and economical development to meet the needs of the local population. These programs will also aid overall anti-corruption efforts.

- **\$165M (Supplemental)** for Jobs Corps programs to generate employment and develop skills, and create informal educational opportunities for youth in strategic cities.

- **\$20M (Supplemental)** for local business development in strategic cities to expand small to medium size enterprises and to create micro-enterprise organizations.
- **\$287M (Supplemental)** for infrastructure security for oil, electricity and water and other key facilities and nodes which have been targeted as a part of insurgent and criminal activity.

Economic Track

Infrastructure Sustainment and Agriculture and Private Sector Development (\$631.5M=\$276.5M FY 2007 Budget + \$355M Supplemental)

We seek to economically sustain the security forces in their COIN effort through helping Iraq develop and maintain functioning essential services and the agriculture and private sector, thereby transitioning the economy from a centralized Stalinist model to a market-based transparent model.

- **\$509M (\$154M FY 2007 Budget and \$355M Supplemental) for Infrastructure Sustainment**

- **\$80M (\$20M FY 2007 Budget + \$60M Supplemental)** for capacity development training and technical-level management to increase the Iraqis' abilities to operate and maintain Iraq's essential service infrastructure; and management tools and skills for USG-funded projects in six sectors (oil, electricity, health, water, communications, and transportation).
- **\$429M (\$134M FY 2007 Budget + \$295M Supplemental)** for operations and maintenance of USG-funded infrastructure in key sectors.

- **\$122.5M (Budget) for Agriculture and Private Sector Development**

- **\$84M (FY 2007 Budget)** to promote agriculture sector development. This program will use an enterprise-driven approach to create value chains from the farm (both crops and livestock) to the

market, particularly for higher value cash crops. The intent is to develop small and medium-scale private agro-food enterprises to produce, process, package, market, and distribute agro-food goods and services. This program will establish rural financial services, improving their ability to survive as enterprises.

- **\$18.5M (FY 2007 Budget)** to provide technical training to banks, complete automation of the stock exchange, assist the securities commission and association of securities dealers; increase the network of micro-finance institutions and public education campaigns on business creation; and increase education of and access to capital for small and medium enterprises.
- **\$20M (FY 2007 Budget)** technical advisory support for ministries and Iraqi government institutions that regulate commerce, promote privatization and provide lending. Funding will also support Iraq's business civil society organizations, and non-bank financial institutions to ensure a broad diversification of financial services to meet the needs of the private sector. The business community will also be trained on information technology through resources and equipment provided to universities.

Political Track

National Capacity Building/Reforms

(\$787.39M=\$494.69M FY 2007 Budget + \$292.7M Supplemental)

To be economically and politically sustainable, the security forces require the support of a more effective, transparent and democratic civilian government. Accordingly, the US will provide specialized training programs to help new ministers and their staffs grow the management and administrative capabilities of their ministries. We will continue supporting the creation of democratic institutions, particularly the formation of effective national and provincial governments. In the December elections, Iraqis voted mostly along ethnic and sectarian lines. For Iraq to succeed politically we are funding programs for inter-communal and cross-sectarian cooperation and reconciliation, and rule of law to help Iraq reach a national compact to unify Iraq's communities. This includes economic policy reforms to stimulate private sector growth that carry significant political costs. To reach these goals, our critical political programs include:

- **\$105M for Ministerial Capacity Building (MCB)**
 - **\$75M (Supplemental)** for emergency ministerial capacity building to improve the core functions of and skill sets in key ministries (e.g., fiscal and personnel management, strategic planning and policy development, leadership, information technology, communication and technical skills). MCB also supports fiscal accountability and anti-corruption efforts.
 - **\$30M (Supplemental)** to re-equip and modernize Iraqi institutes of public administration such as the National Center for Consultations and Administrative Development to provide modern training to Iraqi government officials in a range of core functions cited above, which the US will transition to the Government of Iraq in 2007.
- **\$58M (\$25M FY 2007 Budget + \$33M Supplemental)** of emergency and longer term funding to help the government adjust more quickly to pressures from corruption, the insurgency, and a transition from a cash economy, which are increasing security and other expenditures. Accordingly, we will support the Ministry of Finance and Central Bank to strengthen the economic system by increasing fiscal and budgetary discipline and government transparency, and assisting Iraq to meet the requirements of its IMF program, including increasing capacity for macroeconomic and monetary policy-making, budget formulation and execution, and supervision of commercial banks; and implementation of subsidy reforms, banking sector reforms and a national inter-bank payments system. These programs will substantially aid anti-corruption efforts.
- **\$90M (FY 2007 Budget)** for policy, subsidy, legal, regulatory and transparency reforms vital to re-shaping the economy from a centralized authoritarian model to a market-based, transparent system integrated into the global economy.
- **\$73.27M (\$63.27M FY 2007 Budget + \$10M Supplemental)** to promote democracy through training and support for the development of political parties and civil society groups that support the development of democracy, free trade unions, free enterprise, anti-corruption, and open media; to establish a National Institutions Fund to assist with priority projects that include parliamentary capacity building, and seed money for associations, minority groups, and think tanks that promote democracy; and continue programs for women, human rights issues, polling, and peace-building and reconciliation activities.
- **\$423.3M Rule of Law**
 - **\$362.3M (\$254.6M FY 2007 Budget + \$107.7M Supplemental)** for Rule of Law

programs, including training provincial public prosecutors and corrections officers, human rights in the criminal justice system, anti-corruption, criminal justice integration, Rule of Law outreach, increased prison capacity, and judges' protection.

- **\$61M** (\$24M FY 2007 Budget + \$37M Supplemental) for the Regime Crimes Liaison Office (RCLO) to support the Iraqi High

Tribunal, operation of current and upcoming trials, and related programs.

- **\$17.82M** (FY 2007 Budget) to continue non-proliferation programs, anti-terrorism assistance, counterterrorism finance programs, the terrorist interdiction program and IMET programs.
- **\$20M** (FY 2007 Budget) for migration and refugee assistance.

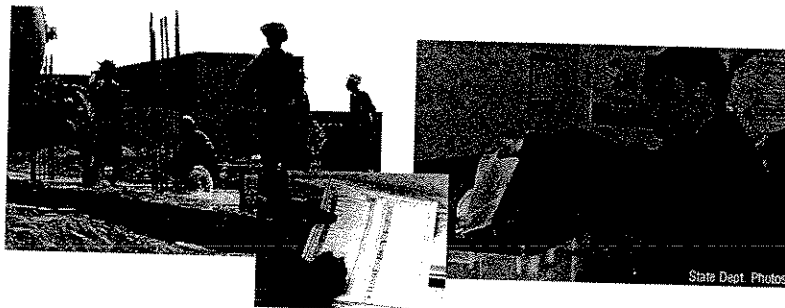
\$1.707B OPERATING EXPENSES BUDGET IN FY 2006 SUPPLEMENTAL AND FY2007 BUDGET

\$1.707B (\$1.642B in the Supplemental and \$65M in the FY 2007 budget) supports the Department of State and AID operating expenses along with a State Department carryover of \$633M. It provides:

- **\$997.5M** (Supplemental) for logistical, security and other costs associated with United States Mission operations in Iraq.
- **\$100M** (Supplemental) for the provision of overhead cover in Baghdad and at four regional sites. The funding will provide protection from indirect fire attacks at mission housing

and common-use facilities.

- **\$400M** (Supplemental) for Provincial Reconstruction Team (PRT) personal security details (PSDs), and security and site infrastructure.
- **\$25.3M** (Supplemental) \$1.3M for State Inspector General and \$24M for SIGIR oversight activities for Iraq programs and operations.
- **\$119.6M** (Supplemental) for USAID operating expenses.
- **\$65M** (FY 2007 Budget) for core Embassy functions.



¹ Security Track: \$152M for PRT/PRDC projects, local government capacity development, and employment generation and local business development in strategic cities; Economic Track: \$5M for agriculture; and Political Track: \$131M for capacity development, rule of law, refugee assistance, demining, and border security programs.

² DoD's Supplemental includes: The Commanders' Emergency Relief Program (CERP); Iraq Security Force logistical and other sustainment support; military and police equipment and infrastructure and training; border enforcement support; quick response funds; institutional capacity development of the ministries of defense and interior; and programs to transfer detainee operations.

³ PRTs are joint civilian-military interagency teams used to coordinate and prioritize U.S. political and economic policy, including foreign assistance and programs in the provinces. They integrate civilian and military efforts in the provinces to strengthen governmental capacity and accelerate the transition to self-reliance. PRDCs are composed of local Iraqi Government and other Iraqi leaders, as well as USG or Coalition representatives to provide a process that gives the people of the provinces the opportunity to participate in reconstruction and development decision making.

ATTACHMENT 5

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CRS Report for Congress

Received through the CRS Web

Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills

Stephen Daggett
Specialist in National Defense
Foreign Affairs, Defense, and Trade Division

Summary

Since the terrorist attacks of September 11, 2001, Congress has appropriated \$331 billion for military operations in Afghanistan, Iraq, and elsewhere. Of that amount, \$301 billion, or 91%, has been provided either in supplemental appropriations bills or as additional “emergency” funding in separate titles of annual defense appropriations acts.

A recurring issue in Congress has been whether funding for ongoing military operations — such as those in Iraq, Afghanistan, and elsewhere — should be provided in supplemental appropriations bills and in additional “emergency” accounts, or should instead be considered as part of regular annual defense budget requests.

This report briefly reviews the main precedents, including funding for the Korean conflict, the Vietnam conflict, the Persian Gulf War of 1990-1991, and various smaller military contingency operations in the 1990s. It will be updated as events warrant.

Since the terrorist attacks of September 11, 2001, Congress has appropriated, according to CRS calculations, \$331 billion to the Department of Defense (DOD) for military operations in Afghanistan, Iraq, and elsewhere.¹ Congress is now considering an additional \$66 billion for such operations in a pending FY2006 supplemental appropriations bill (H.R. 4939).

Of the \$331 billion provided to date, \$301 billion, or 91%, has been provided either in supplemental appropriations bills or as additional “emergency” funding in separate titles of annual defense appropriations acts. In all, Congress has approved 9 bills providing emergency funding for military operations since 9/11. The remaining \$30

¹ See CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, by Amy Belasco, Table 3.

billion has been provided either as part of regular annual appropriations for the Department of Defense or by transfer from regular DOD budget accounts.²

A recurring issue in Congress has been whether funding for ongoing operations — such as those in Iraq, Afghanistan, and elsewhere — should continue to be provided in supplemental appropriations bills and in additional “emergency” accounts, or should instead be considered as part of regular annual defense budget requests. This would require that the Administration provide the usual extensive budget justification material prepared in support of regular defense requests, and it would make funding subject to the usual oversight that Congress carries out in the normal defense authorization and appropriations process.³

One element of the debate has been what the precedents are. This report briefly reviews the main precedents, including funding for the Korean conflict, the Vietnam conflict, the Persian Gulf War of 1990-1991, and smaller military contingency operations in the 1990s. In brief, the precedents are as follows:

- Supplementals have been the most frequent means of financing the initial stages of military operations.⁴
- In general, however, past Administrations have requested, and Congress has provided, funding for ongoing military operations in regular appropriations bills as soon as even a limited and partial projection of costs could be made.
- In Vietnam, the Johnson Administration requested supplemental appropriations of \$700 million for FY1965 and then submitted a budget amendment for \$1.7 billion for the regular FY1966 defense appropriations bill. Subsequently, substantial funding was requested and provided in regular appropriations bills for FY1967 and FY1968, and additional funding was also provided in supplemental appropriations. The amounts the Johnson Administration requested in regular appropriations bills in those years were sufficient to cover projected costs of operations for only part of the fiscal year on the premise that additional costs were uncertain. The FY1967 request was based on the official

² *Ibid.*, Table A1 shows \$22.5 billion provided in regular appropriations bills and \$8.6 billion provided through transfers.

³ The FY2005 and FY2006 defense appropriations acts both included provisions expressing the Sense of the Senate that funding for ongoing operations should be requested and provided in regular defense funding bills. See Section 8138 of the FY2005 defense appropriations act, P.L. 108-287 and Section 8117 of the FY2006 defense appropriations act, P.L. 109-148. Also, for several years, defense appropriations acts have included a provision requiring that the President’s budget request include separate budget justification documents for costs of military contingency operations — see Section 8100 of the FY2006 defense appropriations act.

⁴ CRS reviewed initial funding for military operations from World War II through Kosovo in Stephen Daggett, “Budgeting for Wars in the Past,” CRS Congressional Distribution Memo, March 27, 2003. It is available to congressional offices on request.

premise that the war might be successfully concluded by the end of the fiscal year. When costs grew, supplementals were requested.

- In the early 1990s, funding for ongoing operations in Southwest Asia and in Bosnia was provided in supplementals rather than in regular appropriations bills. In the FY1996 defense appropriation act, however, Congress directed the Administration to include subsequent funding for ongoing military contingency operations in its requests for regular defense appropriations funding. The Clinton Administration complied with this directive. Although operations in Kosovo were initially funded with supplemental appropriations, funds for ongoing missions, including Kosovo after the initial stages, were requested in regular DOD budget submissions.

Brief summaries of funding for the Korean conflict, the Vietnam conflict, and operations in the 1990s follow.

Korea

Following the outbreak of the war in Korea, Congress provided supplemental appropriations of \$32.8 billion for the Department of Defense for FY1951, which covered costs of operations in Korea and also of a general world-wide buildup of military forces. In FY1952, almost all of the funding for operations in Korea was provided in regular appropriations, except for \$1.4 billion, which was a deficiency appropriation for operations in Korea provided on June 28, 1952, after the end of the fiscal year.⁵ For FY1953, Congress provided all funds for operations in Korea in regular defense appropriations bills.

Table 1 shows the breakdown of total Department of Defense Appropriations for FY1951-FY1953 between regular and supplemental appropriations.

**Table 1. Regular and Supplemental DOD Appropriations
During the Korean Conflict , FY1951-FY1953**
(billions of then-year dollars)

Fiscal Year	Regular Appropriations	Supplemental Appropriations	Total Appropriations
1951	13.0	32.8	45.8
1952	55.2	1.4	56.6
1953	44.3	0	43.3

Note: DOD appropriations only — does not include military construction.

Source: Department of Defense Comptroller.

⁵ Deficiency appropriations were common in the 1940s and 1950s but have not been since then. They provided funds for accounts that had overspent appropriated amounts in prior years.

The following is a chronology of funding for the Korean conflict from FY1951 through FY1953 (the totals may not add exactly to the amounts reported in the table above because of later rescissions, transfers, etc.).

FY1951

- September 22, 1950 (cleared Congress): First supplemental appropriations for FY1951. Provided \$11.7 billion for DOD and \$4 billion for military assistance for the Korean conflict.
- January 2, 1951 (cleared Congress): Second supplemental appropriations for FY1951. Provided \$16.8 billion for DOD and \$1.8 billion for the strategic stockpile, mostly for Korea costs.
- May 28, 1951 (cleared Congress): Fourth supplemental appropriations for FY1951. Provided \$6.4 billion for DOD for Korea.

FY1952

- October 12, 1951 (cleared Congress): Regular DOD appropriations for FY1952. Provided \$56.9 billion, including funds for costs of the war.
- June 28, 1952 (cleared Congress): Urgent deficiency appropriations for FY1952. Provided \$1.4 billion for DOD, almost entirely for war costs.

FY1953

- July 5, 1952 (cleared Congress): Regular DOD appropriations for FY1953. Provided \$46.6 billion, including funds for costs of the war.

Vietnam

For Vietnam, the Johnson Administration requested, and Congress provided, funding for the war in regular defense appropriations bills as soon those bills were on the calendar, even before full and accurate estimates of costs could be projected. Subsequently, the Johnson and Nixon Administrations also requested, and Congress provided, supplemental appropriations for operations in Southeast Asia for FY1966, FY1967, FY1968, and FY1969, when costs exceeded the initial estimates. From FY1970 through the end of the war, funding was provided only in regular appropriations bills.

Table 2 provides a year-by-year estimate of costs, an estimate of the amounts initially provided for the war in regular appropriations bills (as reported by Congressional Quarterly), and amounts provided in supplemental appropriations.

Table 2. Methods of Funding the Vietnam Conflict
(billions of then-year dollars)

	Annual Cost (from DOD Comptroller)	Regular Approps.	Supplemental Approps.	Notes/Comments
FY1965	\$0.7	—	\$0.7	—
FY1966	\$14.9	\$1.7	\$12.3	\$1.7 billion in regular bill requested as budget amendment.
FY1967	\$17.7	\$10.3	\$12.2	Regular bill included sufficient funds for the estimated costs of SEAsia operations on the assumption that the conflict would end by June 30, 1967, though the amount was not specified.
FY1968	\$19.3	\$20.0	\$3.8	Regular bill included sufficient funds for estimated costs of SEAsia operations through December 1968.
FY1969	\$19.8	\$25.5	\$1.3	Amount for SEAsia in regular bill estimated.
FY1970	\$14.4	\$23.2	—	Amount for SEAsia in regular bill estimated.
FY1971	\$9.6	\$15.0 - \$20.0	—	Amount for SEAsia in regular bill estimated.
FY1972	\$7.0	All	—	Amounts for SEAsia not separately identified.
FY1973	\$5.2	All	—	Amounts for SEAsia not separately identified.
FY1974	\$1.3	All	—	Amounts for SEAsia not separately identified.
FY1975	\$0.3	All	—	Amounts for SEAsia not separately identified.

Sources: CRS from *Congressional Quarterly*, *CQ Almanac*, annual editions; Department of Defense Annual Reports to Congress, FY1966-FY1969; Department of Defense Comptroller (for annual cost data). FY1967 regular appropriations from U.S. Bureau of the Budget, *The Budget of the United States Government for the Fiscal Year Ending June 30, 1967*, January 24, 1966.

Note: The amounts shown as being provided in regular appropriations bills are estimates made at the time by the *Congressional Quarterly* based on information from the Department of Defense and congressional committees. Those estimated amounts do not correlate directly with costs of the war that were compiled later by the DOD Comptroller.

The following is a chronology of funding for operations in Southeast Asia.

- In May of 1965, the Administration first asked for, and Congress provided, a \$700 million supplemental.
- In the summer of 1965, the Administration requested, and Congress agreed to, a budget amendment of \$1.7 billion for Vietnam in the then-pending regular FY1966 defense appropriations bill.
- In January of 1966, as troop levels in Southeast Asia were climbing, the Administration requested a supplemental of \$12.3 billion for the remainder of FY1966 and regular appropriations for operations in Southeast Asia of \$10.3 billion for FY1967. Both were requested when the FY1967 budget was submitted. The premise of the FY1967 request was that operations might be successfully concluded by the end of the fiscal year, although it was widely expected that an increase in the number of troops deployed to Vietnam would be needed.
- Later, the Johnson and Nixon Administrations requested funding for operations in Southeast Asia in the regular appropriations bills for FY1968

and FY1969 and later requested additional supplemental appropriations for specific unfunded costs.

- Subsequently, funding for operations in Southeast Asia was provided only in regular, not in supplemental, appropriations bills.

In sum, in the case of Vietnam, the Johnson Administration asked for emergency supplementals at the onset of the war, but also requested funds in regular appropriations bills as soon as those bills were on the congressional agenda, even though troop levels were in flux and the duration of the conflict was not foreseen.

Later Overseas Contingency Operations

Persian Gulf War of 1990-1991: The bulk of funding for the first Persian Gulf War was provided in supplemental appropriations of \$42 billion for FY1991. Costs declined rapidly after combat operations were over, so additional funds were not needed, either in supplemental or in regular appropriations bills.

Somalia, Southwest Asia, Haiti, Bosnia, Kosovo: In the early 1990s, operations in Somalia, Southwest Asia (including Operations Provide Comfort, Southern Watch, and Northern Watch), Haiti, and Bosnia were funded annually in successive supplemental appropriations acts.

In action on the FY1996 defense appropriations bill, however, Congress decided to include funding for ongoing operations in Southwest Asia in regular appropriations bills rather than in supplementals, and it directed the Administration to request funding for ongoing military operations in regular bills in the future.⁶

Subsequently, in the FY1997 defense budget and in later requests, the Clinton Administration included funding for ongoing operations, including operations in Southwest Asia and in Bosnia, in the regular defense budget. In action on the FY1997 defense appropriations bill, Congress established a transfer fund, called the Overseas Contingency Operations Transfer Fund (OCOTF), appropriated funds for operations in Bosnia into the OCOTF, and required reports on transfers from the fund.

Later, funding for operations in Kosovo was initially provided in supplemental appropriations bills, but, as soon as an ongoing peacekeeping operation was underway, Administrations requested and Congress provided funding in regular defense appropriations bills.

⁶ For a detailed discussion of the congressional mandate that funding for ongoing operations be provided in regular appropriations bills, and the Clinton Administration's response, see Stephen Daggett, "Funding for Military Contingency Operations in the Regular Defense Appropriations Bills in the 1990s," CRS Congressional Distribution Memo, April 6, 2005. Available to congressional offices on request.